

## S&W Seed Company

Industrials - Agriculture February 7, 2013

*S&W Seed Company is a globally leading producer and marketer of certified non-dormant alfalfa seed, a fast growing forage crop used by the livestock and dairy industries. S&W Seed is also developing a line of stevia plants to enter the market for stevia derived natural low-calorie sweeteners.*

### Hay is for investors – Initiating with BUY rating and \$8.88 PT (SANW - \$7.98) BUY

#### Key Points

- We are initiating research coverage of the S&W Seed Company (SANW) with a BUY rating and price target of \$8.88.
- S&W Seed Company is a leading participant in the market for drought tolerant alfalfa seeds, a market facing significant growth as protein and dairy consumption grows worldwide on rising household incomes. SANW is growing this business rapidly through new products, acquisitions, and new or improved sales channels. SANW is also in the early stages of developing a business to commercially grow and harvest stevia leaves to produce a natural low-calorie sweetener. Stevia sweetener is expected to be one of the fastest growing crops in terms of acres planted the next 10-15 years. SANW is also building a portfolio of productive agricultural land that will also have significant long-term value.
- We believe revenue will ramp considerably in FY2013, mainly from the acquisition of IVS. We see the legacy alfalfa seed business having historically low growth in FY2013 as FY2012 was distorted by an exceptional large beginning of year carry over inventory. We expect growth will strengthen in the legacy business in FY2014 as SANW ramps production this spring. Gross margins will narrow in FY2013 on the mix shift favoring IVS, then expand in FY2014 and beyond on expanded production in the legacy business and favorable mix shift changes at IVS. We believe sustained profits will start in FY2014 and that net margins will expand significantly beyond that time. We forecast minimal impact from stevia in our FY2013-2014 models.
- We believe an opportunity exist for SANW to build its farmland portfolio, and believe this would be attractive for investors with extremely limited means of participating in the public markets for farmland investments.
- Our price target of \$8.88 values the legacy alfalfa business at a net present value (NPV) of \$4.98 a share, a transformed Imperial Valley Seeds (recent acquisition) at a NPV of \$2.73 a share, and the land and real estate assets at \$1.17 a share. We do not assign any value to the stevia efforts at this time given the early stage of development in that business.

#### Financial Summary

Rev(mil)	2012A	2013E	2014E
Sep	\$6.1	\$6.7A	\$12.7E
Dec	\$4.7	\$11.5E	\$10.9E
Mar	\$2.5	\$3.9E	\$5.1E
Jun	\$0.8	\$3.7E	\$4.4E
FY	\$14.1	\$25.9E	\$33.1E
P/Sales	4.1x	2.2x	1.8x

EPS	2012A	2013E	2014E
Sep	\$0.09	\$0.01A	\$0.09E
Dec	\$0.08	\$0.02E	\$0.06E
Mar	\$0.00	\$(0.06)E	\$(0.02)E
Jun	\$(0.10)	\$(0.06)E	\$(0.04)E
FY	\$0.06	\$(0.10)E	\$0.08E
P/E	nm	nm	nm

Price:	\$7.98
52-Week Range:	\$8.75-\$4.36
Target:	\$8.88
Rating:	BUY
Shares Outstanding:	8.5 mil
Mkt. Capitalization:	\$58 mil
Ave. Volume:	41,000
Instit. Ownership:	44%
BV / Share:	\$3.48
Debt / Tot. Cap.:	10%
Est. LT EPS Growth:	25%

**INVESTMENT SUMMARY:**

S&W Seed Company (SANW) is a leading participant in the market for drought tolerant alfalfa seeds, a market facing significant growth as protein and dairy consumption grows worldwide on rising household incomes. SANW is growing this business rapidly through new products, acquisitions, and new or improved sales channels. SANW is also in the early stages of developing a business to commercially grow and harvest stevia leaves to produce a natural low-calorie sweetener. Stevia sweetener is expected to be one of the fastest growing crops in terms of acres planted the next 10-15 years. SANW is also building a portfolio of productive agriculture land that will also have significant long-term value. Revenue will grow rapidly in coming years, but profitability is limited FY2013-2014 as SANW integrates and starts to transform an acquisition, continues to build infrastructure for rapid growth, and invests heavily in developing a stevia business. We model revenue growth of 83% in 2013 and 28% in 2014; profitability in this period will be minor, close to breakeven plus or minus. From a valuation point we believe SANW is capable of trading at \$8.88 based on the net present value of its various business components. We rate the shares of SANW a BUY.

**S&W SEED IS POSITIONING ITSELF FOR SUBSTANTIAL LONG-TERM GROWTH**

SANW is poised to grow rapidly in the certified and non-certified non-dormant alfalfa seed market. SANW is emerging as of the global leaders here and we believe a combination of market development, further market penetration, and margin expansion can make this business substantial larger and more valuable than it already is.

SANW presently produces and sells about 3.0mm pounds of certified non-dormant alfalfa seed, enough to plant about 200,000 to 300,000 acres of land annually. Since alfalfa will typically produce 3-4 years of crops from one planting, this implies SANW's current certified non-dormant production supports about three times this amount of alfalfa production or 600,000 to 900,000 acres. We believe the world could eventually grow 20-40mm acres or more of SANW's heat, moisture, and saline tolerant alfalfa varieties.

This growth will come from several channels. SANW is clearly working to build its production of certified non-dormant seeds by expanding its production three ways: from contractor production, on rented land, and on owned land. The contractor/rented land has been the historical model and we expect this portion of the business to grow in absolute terms substantially, maybe 15% annually as measured in acres of production.

More importantly, the transition to seed production by SANW – on either leased or owned land – should have major long-term implications for gross profit margins and model leverage all the way through the EPS line. We estimate that SANW could earn gross profit margins of 36.5% on land it leases or 44.9% on land it owns for seed production compared to our estimate of gross profit margins near 23.3% on seeds that were sourced from a contractor.

**Stevia is a more difficult situation to model as its development is less linear and more conceptual at this point.** Stevia is a natural low-calorie sweetener that is seen as a long-term replacement for many of the artificial low- or no-calorie sweeteners currently used in food and beverages. SANW is presently attempting to breed a stevia plant that has a high sweetness profile and prolific yield. So far SANW is able to do both, just not in the same plant. Successfully creating such a plant could lead to major market opportunity both domestically and internationally, but we are likely years away from commercial success on this front.

**VALUATION ALREADY REFLECTS SOME OF POTENTIAL, HOW MUCH IS THE CHALLENGE?**

SANW's stock has performed well since going public just a few years ago, and we believe the present valuation reflects much of the expected growth opportunity for the stock. Given our expectations for the model we believe a sustained move to a substantially higher price would need an "earth changing" agent of change – a blockbuster acquisition to further solidify its emerging market dominance in certified non-dormant alfalfa seed, a major breakthrough in stevia breeding, or maybe further diversification into other seed and genetic categories.

Our SANW price target of \$8.88 assumes the following:

- We believe SANW's legacy business is highly profitable and facing substantial remaining growth opportunity. A shift in the proportion of production on leased and owned land (away from contractor supplied seed) should lift gross profit margins considerably. We assume this legacy business will see revenue grow 20% annually the next five years, gross profit margins expand into the 30s, and fully-loaded net margins near 8%. This implies the legacy business in FY2018 producing the following: \$34mm of revenue, gross profit of \$11mm, and net income of

\$2.7mm. We would value this portion of the business at 17.0 times or \$45.9mm. **Discounting this at 1.5% per year for five years implies a net present value of \$4.98 a share for this portion of the business.**

- The transformation of IVS could yield substantial value. This business was purchased for \$6mm on October 1, 2012. We believe SANW intends to grow total revenue in this business, with certified non-dormant seed becoming an ever growing portion of IVS sales starting in FY2014. This should lead to long-term expansion in gross profit and net margins. We assume over the next five years that IVS sales grow 15% annually, that certified non-dormant seeds will comprise the vast majority of sales growth at IVS, that gross profit margins can expand to a range of 18% to 22% from 9% to 12%, and that net margins can grow to 5% to 6% from 2% to 3%. This implies a business segment in 2018 generating sales of \$32.0mm, gross profit near \$6.4mm, and net income of \$1.8mm. We would value this business at a discount to the legacy business value because half the sales would still be in commodity products; we use a multiple of 15.5 times which would value this portion of the business at \$25.2mm in just over five years. **Discounting this at 1.5% per year for five years implies a net present value of \$2.73 a share for this portion of SANW's business.**
- We find stevia too difficult to assign a value at present, but note that success here would wildly push our price target higher given the untapped market opportunity such success would encounter.
- SANW's land holdings likely add incrementally to the value of its share price as well. We assume that the gross value of the real estate is worth somewhere between \$13.2mm and \$18.2mm. The value would have to be discounted some on the farmland, however, to account for the margin impact in the cost of goods sold in seed production in both the legacy business and IVS; we have discounted our estimate of the farmland value by 40% because of this. **Hence, we assume the real estate has a net value per share of \$10mm to \$15mm or \$1.17 to \$1.75 a share; for our price target we use the lower value of \$1.17 a share.**
- Valuation comps for SANW are primarily limited to a few major public companies: Du Pont (DD – not rated), Monsanto (MON – not rated), and Syngenta (SYT – not rated). These three companies are presently trading at a P/E range of 12.2 to 22.3 times this year's EPS and 10.8 to 19.6 times next year's EPS.

#### HISTORICAL OVERVIEW:

SANW's was founded in 1980 and is headquartered at Five Points in California's Central Valley. SANW is a leading producer of warm-climate, high-yield alfalfa seed varieties that grow well in poor, saline soils. The business grew rapidly in parts of the 1980s and 1990s, but business weakened in the post 2000 world as the business aged and global demand drivers changed.

Mark Grewal joined SANW in 2010, and since then the company has been reinvigorated and grown rapidly by better exploiting the technical capabilities of its seeds, by adding other product lines in the alfalfa business, by moving upstream in production (both owned and leased land), and by acquiring its former distributor in the Middle East. And SANW has a pre-commercial project involving the breeding and agricultural production of stevia in North America. Mr. Grewal has substantially strengthened the management and technical ranks of SANW.

In 2010 SANW started an effort to commercial breed a high quality stevia leaf in the United States due to strong growth in demand for this alternative sweetener. This effort progresses on 250 acres where SANW is trying to cross breed a high volume stevia variety with a high-sweetness stevia source. We believe this effort has been successful so far but is several years and many more hurdles away from commercialization.

#### Acquisition of Imperial Valley Seeds adds opportunities to further lever alfalfa presence

SANW recently acquired Imperial Valley Seeds, something that will add considerably to near-term sales and should eventually provide significant growth in net income as well. This is a comparatively low-margin, low-overhead business selling non-certified (i.e., more commodity like) alfalfa seed. SANW plans to gradual convert more of its production to certified seed, driving sales, gross profit, operating margin, and net income leverage. This process will gradually build starting in FY2014, eventually leading to a business model with pricing per ton, gross profit margins, and operating margins near SANW's legacy business.

On October 1, 2012 SANW purchased the assets (and none of the liabilities) of Imperial Valley Seeds, Inc. (IVS) for total consideration of \$6.182mm. At the time of its acquisition IVS was primarily an international marketer of non-certified non-

dormant alfalfa seeds. Prior to its acquisition it was the international marketing affiliate (established in 1999) of Imperial Valley Milling, a Holtville, CA-based producer and processor of alfalfa seed founded in 1921. Imperial Valley Milling will stay independent and continue to furnish seeds to IVS through an existing that runs through September 30, 2027. This supply agreement also provides SANW with a right-of-first refusal in the event that any Imperial Valley Milling shareholder receives an offer for their stock.

These assets included the La Jolla, Catalina, and Satlana brands of alfalfa sold by IVS. As part of this acquisition Imperial Valley Seeds' CEO and co-founder, Fred Fabre, was named SANW's Vice President of Sales and Marketing. Sales at IVS were near \$16mm in calendar 2011. IVS brings new international distribution and greater customer diversification to SANW. It sells to more than a dozen accounts and countries, and no one customer exceeds 30% of its sales.

The cost of this acquisition was as follows: \$3.0mm of cash, a five-year unsecured subordinated promissory note in the principal amount of \$500,000, the issuance of 400,000 SANW shares valued at \$2.432mm, and a \$250,000 five-year non-compete paid to Mr. Fabre.

Although similar in size to SANW's legacy non-dormant business, the focus on non-certified seed changes the model. We assume that IVS historically attained normalized gross profit margins near 9% to 12% and an operating margin near 5%. We assume that weather issues recently in the Imperial Valley have hampered the near-term profit potential for this business, with gross profit margins in single digits and an operating margin near breakeven.

#### **SANW building holdings of highly productive farmland, a long-term strategy we would like to see expanded**

SANW operated for years with just its original facility on 40 acres, and this seed cleaning and processing facility should prove adequate for most of SANW's needs for many years. During FY12 SANW processed 1.7mm pounds of seed on its three processing lines in this facility, using less than 25% of this facilities annual capacity.

In the past year SANW has been making direct farmland acquisitions as well – buying two parcels totaling near 820 acres in two tracts in the Imperial Valley in southern California. In addition, SANW leased 1280 acres in the Imperial Valley adjoining the land that it purchased. SANW has also historically leased over a thousand acres near its Five Points facility for alfalfa seed production.

We think investing in farmland makes much sense for SANW for several reasons. First, there are few ways to invest in publicly traded companies in high quality agricultural land, and investor demand for such land is significant. Second, there are significant opportunities to leverage alfalfa seed production margins (in the cost of goods sold line) as a result of owning more land. And this land is already of significant worth: we estimate that the 820 acres of agricultural land is probably worth at least \$8.2mm or 11% of the current market capitalization, and that its main processing facility and 40 acres it sits on are worth another \$5mm minimum and maybe \$10mm, or 7% to 14% of the present market capitalization.

#### **DEMAND FOR DROUGHT TOLERANT ALFALFA LARGE AND GROWING**

We believe SANW is one of the largest growers of drought tolerant alfalfa in North America and the world. Several factors are combining to make this an exciting sector of the agriculture market:

- Rapidly expanding livestock herds as a result of industrialization throughout the world. As incomes go higher people eat more protein. The livestock and dairy industries in particular need alfalfa to help feed these animals. Right now, for example, it is estimated that the typical person in China eats about 30% of the protein of a person in developed countries. As the nearly 1.5 billion people in there see incomes increase so is demand. There is not enough land in China to satisfy the long-term needs for alfalfa forage, so exports there are growing from places like the Pacific Northwest, California, New Zealand, and now Australia.
- Drought in the U.S. is sharply curtailing hay supplies, like much of the rest of agriculture, with the latest USDA report showing inventories falling 16% from year-earlier levels.
- The expansion of agriculture into hotter and drier climates is particularly important to SANW. Its seed varieties are explicitly developed for uses in places that are normally considered too hot and or dry for normal alfalfa to grow. We have actually seen field trials where SANW's seeds are planted in soils and partially irrigated with salt water and the plants live. This is unusual and highly valuable, with minimal global competition.

**Alfalfa overview**

Alfalfa is a perennial flowering plant in the *Fabaceae* family native to Central and Western Asia and the Eastern Mediterranean region. Alfalfa is used for pasture, hay, silage, green-chop, soil improvement and soil conservation. Alfalfa is primarily used as feed for high producing dairy cows and secondly for beef cattle, horses, sheep and goats. Alfalfa is also sold for human consumption. Alfalfa is cultivated to some extent in every state in the United States as well as in Canada, Argentina, France, Australia, the Middle East, South America and many other countries.

Breeders have developed many varieties of Alfalfa that are highly resistant to diseases and insect pests as well as those varieties that can be cultivated in all different types of soils and temperatures. This coupled with the fact that alfalfa has the highest yielding potential of any perennial forage legume in the US has lead it to be grown on 23mm acres from coast to coast-making it the fourth largest acreage crop in the United States.

Alfalfa has a normal life span of 4-8 years depending on the variety and climate. The plant usually grows to a height of three feet and typically has a very deep root system, making it extremely resilient even during droughts. Because Alfalfa is a small seed crop it takes several months to grow and establish this rooting system but once it does it tends to preform extremely well. Alfalfa exhibits autotoxicity thus it is recommended that the fields where it is produced are rotated with other crops.

**SANW's Non-Dormant Seeds**

SANW is a leading global supplier of non-dormant certified alfalfa seeds. These seeds are generally bred for heat, drought, and saline tolerance, meaning SANW's product is designed to survive conditions historically adverse to growing healthy and nutritional alfalfa. Following is a summary of SANW's legacy (pre-IVS acquisition) product offering.

S&W SEED COMPANY PRODUCT ASSORTMENT			
Product	Adaptation	Use	Other
SW 10	Very non-dormant variety, rating 10	CA central area, low desert areas	Highest yielding in class, quick recovery after cutting
SW 9720	Very non-dormant with salt tolerance, rating 9	CA to south of the Mexican border	Highest yielding in class, rapid recovery after cutting
SW 9628	Very non-dormant with resistance to Fusarium Wilt, rating 9	CA and AZ	Highest yielding in class, rapid recovery after cutting
SW 9500	Rating 9	CA and AZ where fall forage is desired	Yields in dry- hot climate areas
SW 9400	Moderate resistance to Verticillium Wilt, rating 9	CA where Fall forage is desired	Avg. yield in CA is 103.4% of CUF 101 yield
SW 9301	Produced in salty soils under irrigation, rating 9	CA, AZ, Argentina, Mexico, and Saudi Arabia	Avg. yield in CA is 112.8% of CUF 101 yields, in Mexico is 105.3% of CUF 101 yields
Magic	Rating 9	Saudi Arabia	
SW 8718	Non-dormant resistance to insects, fungus, etc. rating 8	CA	Highest yielding in class, rapid recovery after cutting, excellent dairy hay
SW 8421S	Non-dormant with the ability to be grown in salty and good soils, fall rating of 8	Central and Southern CA	High forage yields
SW 8210	Rating 8	CA, AZ, NV	Avg. hay yield in CA is 109.8% of CUF 101 yields, in Argentina 104% of CUF 101 yields
SW 8200	Rating 8	CA, Argentina	Avg. hay yield in CA is 110.3% of CUF 101 yields
SW 8112	Rating 8	CA, Argentina	Avg. hay yield in CA is 109.9% of CUF 101 yields and in Argentina is 105.1% of CUF 101 yields
SW 7410	Rating 7	Sacramento Valley and San Joaquin Valley CA	Excellent stand persistence after one very wet winter and another very cold winter
SW 7400	Rating 7	Sacramento Valley and San Joaquin Valley CA	Avg. hay yield in CA is 110.5% of CUF 101 yields
SW 6403	Rating 6.5	Sacramento Valley and Northern and Central San Jo	Produced 11% more yield than CUF 101, produces dairy quality hay
SW 6330	Moderately dormant with strand persistence in clay soil, rating 6	CA, AZ, NM	Recovers rapidly after cutting
SW 435	Dormant with excellent winter-hardness, rated 4	Sacramento Valley and Northern San Joaquin Valley	Very high quality, high yielding crop

Source: S&W Seed Company website.

**SANW's Seed Development Operations**

SANW creates certified alfalfa seed varieties that perform best in Mediterranean climates. There are three main stages in this process:

- 1). Breeder generation produces a
- 2). Foundation generation of seed stock, which is then used to breed
- 3). Certified seed for sale to customers.

This is an immensely complex and time consuming process and requires significant institutional knowledge and history to properly execute, a major barrier to entry SANW enjoys. Also, SANW's entire seed selection and development process is done outdoors in normal field conditions (dry and saline soils), whereas most competitors development their plants in containers housed in a greenhouse.

### SANW's Seed Production Operations

Fields are planted for alfalfa seed production October through March. We estimate that it costs approximately \$1,900 an acre on rented land – or about \$250 less on land that is owned – to establish a field for alfalfa seed production. SANW is planning to grow seeds itself and by utilizing contract growers who are paid by the pound for production (average of about \$3.25 a pound in the last growing season). SANW will grow its own seed on owned and rented land (see our Income Statement section later for more thoughts on this). We expect total acres growing SANW's non-dormant seeds – internal and contracted – to expand 15% to 20% annually over the next several years.



The alfalfa plant is harvested for seeds starting late August in the Imperial Valley through September in the San Joaquin Valley. The harvested seed is brought to SANW's seed processing facility where the seed is extracted, cleaned, and packaged.

Most of SANW's non-dormant seeds are sold international, with primary markets including the Middle East, North Africa, and South America. About 90% of sales are to international customers, and 70% of sales are to customers in the Middle East.

Seed production from the recently acquired Imperial Valley Seeds will be different. These are more low-tech, commoditized products. SANW is essentially buying seed from growers, then cleaning processing and packaging these seeds for resale. Pricing is lower in this market and margins are historically much lower.

### Opportunity to seek natural leverage into dormant alfalfa and GMO varieties too

We fully expect SANW to eventually expand on the announcement of its recent entry into the markets for dormant and genetically modified organism (GMO) alfalfa varieties. SANW's core strengths in heat, drought, and saline tolerance would have substantial opportunity in dormant varieties. And the GMO market is rapidly evolving and poised for accelerating growth. SANW's first effort in this area is through agreements with Monsanto (MON – not rated) and Forage Genetics (owned by Land O' Lakes, a farmer-owned cooperative) to produce and sell GMO alfalfa seeds. SANW plans to modify the seeds in 2013 and grow a test crop. Success in developing this crop could lead to substantial sales growth starting in FY2015.

### STEVIA REPRESENTS AN INTERESTING OPPORTUNITY WITH SUBSTANTIAL LONG-TERM GROWTH POTENTIAL

*Stevia (Stevia Rebaudiana)* is a perennial shrub belonging to the *Asteraceae* family. It is native to subtropical and tropical regions from western North America to South America- although it is now cultivated across the globe. It is commonly known as sweet leaf or sugar leaf due to its intense sweetness. While the plant has many purposes it is most commonly used as a sugar substitute or a sweetener since stevia has a sweetness potency 300 times that of sugar, but with no calories. Because of this it is extremely attractive to those people on a carbohydrate controlled diet. Stevia also has a negligible effect on blood glucose levels, making it a safe substitute for those suffering from diabetes. Stevia has recently been commercialized and is now found in table sweeteners, soft drinks, baked goods, pickles, fruit juices, tobacco products, jams, candies, chewing gum, yogurts, sherbets and toothpaste. Due to its increasing demand Stevia is cultivated in China, Taiwan, Thailand, Korea, Brazil, Malaysia, Israel, Ukraine, UK, Philippines, Canada, South America, and parts of North America including Hawaii and California.

SANW is currently breeding different hybrids of stevia in an attempt to maximize yield and the sweetness profile of the plant, seeking large volumes of the highest value. As present we believe SANW is seeing success in its efforts to domesticate stevia production to California, but believe it is too early to declare this effort likely successful.

SANW's stevia plants are started remotely and then transplanted for field planting in spring. Once established we believe that a stevia field will produce crops for three years minimum, and maybe as long as five years. In addition to yield and sweetness profile another big issue SANW is trying to determine is the appropriate planting density. We believe planting densities globally range from 40,000 plants per acre to 100,000. SANW is trying to determine the best density in the U.S. If this density sounds high bear in mind that an alfalfa field usually starts with about 1.0mm plants per acre (by the third year of harvest this is down to 140,000 plants per acre).

We believe it will cost about \$8,000 an acre to establish a stevia plantation. We believe a typical stand of stevia will produce two crops per year totaling two tons. Another issue SANW is working on is how to harvest stevia, with three techniques being evaluated: a traditional haying process, using a modified bean picker, or using spinach harvesters.

How big might the opportunity be for stevia acres? We believe it will eventually require hundreds of thousands of acres. A major beverage company told us that replacing 35% of an artificial sweetener in one of its larger products would require 20,000 acres of stevia to produce enough extract from the leaves. SANW could enter this business one of two ways, as a grower or as a plant genetics developer, or both.

## MANAGEMENT

**Grover T. Wickersham** - Mr. Grover T. Wickersham is Chairman of the Board of S&W Seed Co. He is a private investor. Since its formation in May 2009, Mr. Wickersham has served as the Chairman of the Board of Triangle T Partners, LLC. In June 2010, he was promoted to Chief Financial Officer of TTP, a position he held until the company was dissolved in late 2010. Mr. Wickersham is also part owner of Triangle T Ranch Inc. where he has served as Chairman of Board as well as Chief Financial Officer. Triangle T. Ranch is a major supplier of alfalfa seed to S&W Seed Co. In addition, he currently serves as the Chairman of the Board of Trustees of Purisima Funds. Mr. Wickersham holds an A.B. from the University of California at Berkeley, an M.B.A. from Harvard Business School and a J.D. from University of California, Hastings College of the Law.

**Mark S. Grewal** - Mr. Mark S. Grewal is President, Chief Executive Officer, and a Director of S&W Seed Co. Before his employment at S&W Seed Co., Mr. Grewal, held the position of President and manager of the company's subsidiary, Seed Holding, LLC. Prior to his affiliation with S&W- from August 2009 to October 2010- he served as the Chief Executive Officer, President and Farm Manager Triangle T Partners, LLC ("TTP") he also held the same positions with Triangle T Ranch, Inc. ("TTR"), the parent of TTP during the same period. Prior to 2009, Mr. Grewal served in various executive management and operational roles at JG Boswell, Co., a major farming company. Mr. Grewal is Chairman of the 2009 Plant Science Advisory Council of California State University and a member of the Leadership Committee of California State University, Fresno. Mr. Grewal earned a B.S. in Agronomy from California State University, Fresno, and an M.A. in Leadership from Saint Mary's College, Moraga, California.

**Matthew K. Szot** - Mr. Matthew K. Szot is Chief Financial Officer, Senior Vice President of S&W Seed Co. Prior to working in this position he served as Chief Financial Officer for Commerce Tel Corporation from July 2011 until October 2011. From February 2007 until October 2011, Mr. Szot served as the Chief Financial Officer for Cardiff Partners, LLC. Mr. Szot served as Chief Financial Officer and Secretary of Rip Curl, Inc. from 2003 to 2007. He has also served as Chief Financial Officer of Trans-Pacific Aerospace Company, Inc., and as Chief Financial Officer of Management Energy, Inc. Mr. Szot has a Bachelor of Science degree in Agricultural Economics/Accountancy from the University of Illinois, Champaign-Urbana, and is a Certified Public Accountant in the State of California

**Daniel Z. Karsten** - Mr. Daniel Z. Karsten is Chief Operating Officer and Executive Vice President of S&W Seed Co. Prior to working for S&W, Mr. Karsten was the Production Manager and Safety Officer for Colusa Country Canning from March 2005 to August 2008. At Colusa Country Canning Mr. Karsten's responsibilities included operations, maintenance, compliance with facility safety and environmental requirements and supervision of a crew of 200-450 seasonal and non-seasonal employees.

**Fred Fabre** - Mr. Fred Fabre is Vice President - Sales and Marketing of S&W Seed Co. and has held this position since October 2012. Between 2000 and 2012 he co-founded Imperial Valley Seeds, Inc., which was recently acquired by SANW.

He has also served as the President of IVS and a member of its board of directors. Mr. Fabre has a B.S. degree in Earth Sciences from California State University at Chico.

**Danielson B. Gardner** - Mr. Danielson B. Gardner is Vice President - Breeding and Genetics of S&W Seed Co. For 18 years prior to joining S&W, he served in various positions in breeding and international sales at Dairyland Seed Co., a Dow Agro Sciences subsidiary. His most recent position at Dairyland- which he held from June 2008 until October 2011- was International Distribution Manager. He also served as an Alfalfa Breeder for Dairyland from March 1994 until October 2012. Mr. Gardner has a B.S. degree in Genetics from the University of California at Davis and later graduated from the UC Davis Plant Breeding Academy. He currently sits on the board of the California Seed Association.

#### **ALFALFA CONTINUES TO BUILD, BUT RESULTS WILL BE MASKED BY NOISE**

We believe revenue will ramp considerably in FY2013, mainly from the acquisition of IVS. We see the legacy alfalfa seed business having historically low growth in FY2013 as FY2012 was distorted by an exceptional large beginning of year carry over inventory. We expect growth will strengthen in the legacy business in FY2014 as SANW ramps production this spring. Gross margins will narrow in FY2013 on the mix shift favoring IVS, then expand in FY2014 and beyond on expanded production in the legacy business and favorable mix shift changes at IVS. We believe sustained profits will start in FY2014 and that net margins will expand significantly beyond that time. We forecast minimal impact from stevia in our FY2013-2014 models.

#### **Revenue drivers in 2013 are complex – strong growth from lower margin sources**

We see SANW's revenue in 2013 advancing 92% to \$25.9mm. **However, we see the legacy business at SANW (pre-IVS) up just modestly, \$13.7mm versus \$11.9mm – an increase of 15%.** SANW started FY2012 with nearly 2mm pounds of seed available for sale, then augmented by the harvest in the fall of 2011 and making for exceptional revenue growth in FY2012 versus FY2011, +347%. In contrast, SANW entered FY2013 with just 660,000 pounds of seed. In addition, we think seed production will be down a little in last fall's harvest. So, revenue will grow in the legacy business – but on pricing increases, not tonnage. **In contrast we believe the inclusion of IVS effective October 1, 2012 will add \$11.4mm to FY2013 sales from nothing in 2012.**

#### **Near-term gross profit margins negatively impacted by IVS acquisition**

SANW's legacy business is capable of generating strong gross profit margins, we believe near 30%. The IVS business is much more commoditized (primarily because it is non-certified), however, with substantially lower gross profit margins. We estimate normal gross profit margins at IVS may have average 9% to 12% on its current mix of business. The inclusion of IVS will therefore drive gross profit margins sharply lower – we estimate a gross profit margin of 14.5% in FY2013 compared to the 27.6% SANW earned in 2012 before the acquisition.

Long-term IVS will likely drive major improvements in relative profitability. We believe SANW plans to rapidly expand certified seed sales at IVS, and gross profit margins on that portion of expanded sales should be near SANW's legacy levels of 30%. As a result we see SANW's gross profit margin rebounding to 21.8% in FY2014.

#### **Transition to Owned Land May Eventually Drive Massive Margin Lift – Starting in FY2014**

SANW purchased 640 acres of Imperial Valley farmland from Coast Imperial Partners in July, 2012 for use in its alfalfa seed growing operations. SANW paid \$5.467mm for this land, or about \$8,540 an acre. Then on December 31, 2012 SANW paid \$819,566 for a 50% interest in 182 acres that adjoins the land purchased in July. This represents a purchase price of \$9,000 per acre. We believe SANW will seek to purchase additional land for alfalfa seed growing.

Owning land presents an opportunity for SANW to expand gross profit margins. When SANW contracts with a third party to grow seed or grows it on leased land – its only means of seed production until FY2013 – then the cost of leasing that land is part of the cost of goods sold. We estimate that land where SANW operates presently rents for \$200 to \$300 an acre for planting alfalfa. This is lower than leasing land for other uses like fruit or vegetable production, but that is typically the case because of the ecological benefits alfalfa brings for helping rebuild soil fertility compared to most other crops.

We know that SANW pays growers about \$3.30 a pound for alfalfa seed. If a farmer harvests 700 pounds per acre this implies a payment of \$2,310 per acre. Assuming the farmer seeks to earn \$400 per acre annually over the three year period that the alfalfa seed harvests occur after planting implies a farmer cost of about \$1,910 an acre per year to produce this alfalfa seed. If rent averages \$250 then this means production costs excluding rent total about \$1,660 an acre per year



over the three-year life of the seed production stand. We actually think rent costs will average more than this making the advantage of owning land even greater.

How might this impact SANW's model? Following we have constructed a brief model that implies (we suggest directionally rather than precisely) how gross profit margins might look for SANW on seed sourced each of three ways: from contract growers, by SANW on land it rents, and by SANW on land it owns. **As shown in the table, the impact of renting and owning more land as compared to contracting seed production could massively improve gross profit margins – from an estimated 23.3% on contractor sourced seed to 36.5% on SANW rented land to 44.9% on SANW owned land.** We would estimate that 15% of the legacy alfalfa seed crop produced for and sold in FY2014 will be on land owned by SANW.

S & W Seed Company: GPM Opportunity from Owning Land			
	Traditional S&W		Company Land
	Contract	Rented	
SANW revenue	\$ 3,010	\$ 3,010	\$ 3,010
Less:			
Rent	250	250	-
Production cost	1,660	1,660	1,660
Contractor profit	400	-	-
SANW gross profit	\$ 700	\$ 1,100	\$ 1,350
SANW gross profit margin	23.3%	36.5%	44.9%

Source: Feltl and Company estimates.

#### Crop Establishment Costs for Alfalfa and Stevia Use Biological Accounting

Alfalfa and stevia will produce a crop for several years, so the crop production costs of plant establishment are capitalized and then amortized over the useful life of the plant once it starts producing harvestable crops.

#### Modest EPS next few years

We believe SANW will post essentially breakeven results through 2014 as a result of its sales issues related to lower starting certified non-dormant seed inventories, the acquisition of the lower margin IVS business, the costs associated with the stevia development program, and other costs associated with building out infrastructure. We estimate a loss of \$(0.10) in FY2013 versus consensus of \$0.01 (range of \$(0.02) to \$0.04) and EPS of \$0.08 in FY2014 versus consensus of \$0.15 (range of \$0.14 to \$0.16).

#### Potential influences on model

The following are some of the things we can identify that could cause changes from our model:

- SANW is a farming company and weather will always be a major potential influence on the model. Weather can negatively influence the model through adverse temps, winds, etc. This can expand or reduce yields.
- Customer concentration: nearly all of SANW's historical sales have been to one customer in Saudi Arabia, and changes in sales to this customer could have a major effect on SANW. The acquisition of IVS does reduce the concentration risk some as IVS realizes 35% of its sales from this same customer.
- Concentration of production could expose SANW to adversity beyond weather. The IVS acquisition should help this as it moves SANW into an area that is all non-GMO show the possibility of GMO traits inadvertently entering SANW's genetics are limited. Over time we would like to see SANW further diversify its seed growing operations to other similar geographically protected areas to further diversify protection into the model.

- Stevia is still in the development stage and may not prove up. We have a modest contribution for stevia in our 2014 model. If stevia failed SANW would have to write off its crop establishment costs which might total \$2mm within a few years. Conversely, if significant success were attained in the stevia program it could cause substantial upside to the long-term model.
- Land availability is critical. Farming is profitable and competition for land is intensifying. We believe SANW's strategy of buying land is critical important as it will give it added security in its seed production efforts and should help improve gross profit margins by lowering cost of goods sold, albeit possibly with a corresponding increase in interest expense if these acquisitions are funded with debt instead of cash. We do believe farmland will provide substantial returns to SANW over time and that investors will favor the stock as a vehicle to participate in farmland appreciation too.

## **BALANCE SHEET OVERVIEW**

Following are several areas we believe need highlighting to fully understand SANW's model.

### **Accounts Receivables**

Historically SANW's receivables were quite simple: almost all of its sales went to one customer in Saudi Arabia who has 90 day terms. The acquisition of IVS will modify this some as IVS has a more diversified customer base and less concentration, and most of its sales terms are one-half pre-paid, one-half in 90 days. Sales peak for SANW in its first and second quarters, so receivables stay elevated well into their third quarter and then cycle lower to finish the year.

### **Accounts Payable**

SANW makes two payments to its contractor seed growers. It pays 50% on October 15 and 50% on February 15, meaning payables elevate heavily in the first through third quarters.

### **Plant and Equipment**

SANW owns its primary seed processing and warehouse facility along with its administrative building. This facility sits on 40 acres and is carried on the books for \$2.3mm, \$290,000 for land that is worth probably \$3.2mm and \$2.0mm for buildings that would probably cost \$5mm to replace.

SANW also owns or partially owns two parcels of land to be used for seed production totaling 822 acres, both parcels located in the Imperial Valley of southern California. SANW paid \$6.287mm for this real estate.

### **Credit Facility and Other Thoughts on Debt**

SANW has a credit facility that enables it to borrow up to \$7.5mm from Wells Fargo Bank, NA. This facility is priced at LIBOR one-month rates plus two percent, and terminates April 1, 2014. This facility was amended in July of 2012 to include a new term loan in the amount of \$2.625mm bearing interest at LIBOR one-month plus 2.35%. This loan terminates in July 2019 when the principal amount should be reduced to \$1.87mm.

We believe long-term rates are exceptionally appealing right now on agriculture assets. We would not be surprised to see SANW take advantage of these rates to purchase additional farmland.

**S & W Seed Co.**  
Income Statement & Summary  
\$ in millions except per share amounts

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	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12 E	Mar-13 E	Jun-13 E	Sep-13 E	Dec-13 E	Mar-14 E	Jun-14 E	2011	2012	2013 E	2014 E
Seed and other crop revenue	\$ 0.679	\$ 0.517	\$ 0.204	\$ 1.265	\$ 5.885	\$ 4.074	\$ 2.534	\$ 0.769	\$ 6.356	\$ 11.461	\$ 3.946	\$ 3.697	\$ 12.428	\$ 10.599	\$ 4.781	\$ 4.387	\$ 2.664	\$ 13.262	\$ 25.460	\$ 32.196
Milling and other revenue	0.254	0.393	0.236	0.094	0.230	0.654	0.016	(0.014)	0.364	0.050	-	-	0.300	0.300	0.300	0.050	0.977	0.886	0.414	0.950
Total revenue	\$ 0.933	\$ 0.910	\$ 0.440	\$ 1.359	\$ 6.116	\$ 4.728	\$ 2.549	\$ 0.755	\$ 6.720	\$ 11.511	\$ 3.946	\$ 3.697	\$ 12.728	\$ 10.899	\$ 5.081	\$ 4.437	\$ 3.641	\$ 14.148	\$ 25.874	\$ 33.146
Cost of seed and crop revenue	0.524	0.370	0.141	0.993	4.298	2.961	1.740	0.914	5.549	9.960	3.348	3.147	9.809	8.474	3.879	3.501	2.027	9.913	22.004	25.664
Cost of milling and other revenue	0.038	0.077	0.109	0.029	0.066	0.243	0.008	0.010	0.092	0.014	-	0.015	0.083	0.083	0.083	0.015	0.254	0.327	0.121	0.263
Total cost of revenue	0.562	0.447	0.250	1.022	4.364	3.204	1.748	0.924	5.641	9.974	3.348	3.162	9.892	8.557	3.961	3.516	2.281	10.240	22.125	25.926
Gross profit	0.371	0.463	0.190	0.336	1.751	1.524	0.802	(0.169)	1.078	1.538	0.598	0.535	2.837	2.342	1.120	0.921	1.361	3.908	3.749	7.220
SG&A	0.535	0.491	0.615	0.526	0.708	0.762	0.633	0.670	0.750	1.000	1.100	1.113	1.140	1.154	1.169	1.183	2.166	2.773	3.964	4.646
R&D	0.134	0.128	0.078	0.110	0.093	0.062	0.044	0.044	0.103	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.450	0.243	0.403	0.400
D&A	0.059	0.060	0.061	0.062	0.071	0.066	0.065	0.071	0.070	0.150	0.152	0.154	0.156	0.158	0.160	0.162	0.242	0.273	0.526	0.636
Operating income	(0.357)	(0.216)	(0.563)	(0.362)	0.879	0.635	0.059	(0.954)	0.155	0.288	(0.754)	(0.832)	1.440	0.930	(0.309)	(0.523)	(1.498)	0.620	(1.144)	1.538
Loss on disposal of fixed assets	0.006	-	-	-	0.026	(0.002)	-	-	-	-	-	-	-	-	-	-	0.006	0.025	-	-
Interest expense, net	(0.004)	(0.003)	(0.003)	0.003	0.004	0.004	0.004	0.007	0.008	0.074	0.088	0.072	0.072	0.071	0.070	0.069	(0.007)	0.020	0.242	0.282
Net income before Income Tax	(0.359)	(0.213)	(0.560)	(0.365)	0.875	0.604	0.057	(0.961)	0.147	0.214	(0.842)	(0.905)	1.369	0.859	(0.379)	(0.593)	(1.497)	0.575	(1.385)	1.256
Income tax expense	(0.105)	(0.131)	(0.267)	(0.183)	0.352	0.161	0.036	(0.351)	0.058	0.086	(0.337)	(0.362)	0.547	0.343	(0.152)	(0.237)	(0.686)	0.199	(0.555)	0.502
Net income	\$ (0.254)	\$ (0.082)	\$ (0.294)	\$ (0.182)	\$ 0.523	\$ 0.443	\$ 0.021	\$ (0.611)	\$ 0.089	\$ 0.128	\$ (0.505)	\$ (0.543)	\$ 0.821	\$ 0.515	\$ (0.227)	\$ (0.356)	\$ (0.811)	\$ 0.376	\$ (0.831)	\$ 0.753
EPS:																				
Basic	(0.04)	(0.01)	(0.05)	(0.03)	0.09	0.08	0.00	(0.10)	0.01	0.02	(0.06)	(0.06)	0.09	0.06	(0.03)	(0.04)	(0.14)	0.06	(0.11)	0.08
Diluted	(0.04)	(0.01)	(0.05)	(0.03)	0.09	0.08	0.00	(0.10)	0.01	0.02	(0.06)	(0.06)	0.09	0.06	(0.02)	(0.04)	(0.14)	0.06	(0.10)	0.08
WASO																				
Basic	5.800	5.800	5.800	5.800	5.800	5.800	5.800	6.216	6.840	7.140	8.690	8.743	8.798	8.852	8.907	8.962	5.800	5.904	7.853	8.880
Diluted	5.800	5.800	5.800	5.800	5.837	5.804	5.880	6.107	6.950	7.250	8.900	8.955	9.011	9.067	9.123	9.179	5.800	5.907	8.014	9.095
<b>GROWTH RATES</b>																				
Seed and other crop revenue					767%	689%	1143%	-39%	8%	181%	56%	381%	96%	-8%	21%	19%		398%	92%	26%
Total revenue					555%	420%	480%	-44%	10%	143%	55%	390%	89%	-5%	29%	20%		289%	83%	28%
Gross profit					372%	229%	321%	-150%	-38%	1%	-25%	-417%	163%	52%	87%	72%		187%	-4%	93%
Operating income					-346%	-394%	-111%	163%	-82%	-55%	-1370%	-13%	830%	223%	-59%	-37%		-141%	-285%	-234%
Net income					-306%	-639%	-107%	236%	-83%	-71%	-2547%	-11%	825%	301%	-55%	-34%		-146%	-321%	-191%
<b>MARGINS</b>																				
Gross profit margin	39.80%	50.87%	43.23%	24.75%	28.64%	32.23%	31.44%	-22.40%	16.05%	13.36%	15.16%	14.47%	22.29%	21.49%	22.04%	20.76%	37.36%	27.62%	14.49%	21.78%
Operating margin	-38.23%	-23.78%	-127.99%	-26.66%	14.38%	13.43%	2.33%	-126.43%	2.30%	2.50%	-19.11%	-22.51%	11.32%	8.53%	-6.08%	-11.80%	-41.15%	4.38%	-4.42%	4.64%
Net margin	-27.22%	-9.04%	-66.75%	-13.37%	8.55%	9.37%	0.81%	-80.95%	1.32%	1.12%	-12.80%	-14.68%	6.45%	4.73%	-4.48%	-8.02%	-22.28%	2.65%	-3.21%	2.27%
EBIT DA	\$ (0.195)	\$ (0.022)	\$ (0.233)	\$ (0.120)	\$ 0.594	\$ 0.509	\$ 0.085	\$ (0.539)	\$ 0.159	\$ 0.278	\$ (0.353)	\$ (0.389)	\$ 0.977	\$ 0.673	\$ (0.067)	\$ (0.194)	\$ (0.569)	\$ 0.648	\$ (0.305)	\$ 1.389
Tax rate	29.16%	61.43%	47.59%	50.26%	40.27%	26.68%	63.67%	36.46%	39.61%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	45.80%	34.67%	40.04%	40.00%
<b>BALANCE SHEET SUMMARY</b>																				
Cash & equivalents	\$ 7.177	\$ 5.697	\$ 4.133	\$ 3.739	\$ 4.192	\$ 6.808	\$ 6.227	\$ 8.235	\$ 8.652	\$ 0.819	\$ 13.285	\$ 13.785	\$ 1.635	\$ 7.031	\$ 12.496	\$ 14.030	\$ 3.739	\$ 8.235	\$ 13.785	\$ 14.030
Accounts payable	2.464	1.669	1.010	1.804	6.100	4.064	3.079	2.717	6.069	11.511	5.130	4.621	13.365	11.444	5.335	4.659	1.804	2.717	4.621	4.659
Inventories	6.828	6.829	6.602	5.664	5.775	3.919	4.137	6.117	8.274	2.991	1.549	0.325	10.236	6.031	3.019	1.552	5.664	6.117	0.325	1.552
PP&E	2.259	2.236	2.195	2.299	2.337	2.342	2.290	2.441	7.855	8.692	8.697	8.700	8.703	8.704	8.705	8.705	2.299	2.441	8.700	8.705
Total assets	\$ 19.683	\$ 17.519	\$ 15.172	\$ 15.157	\$ 20.270	\$ 19.179	\$ 17.820	\$ 22.034	\$ 33.576	\$ 33.031	\$ 38.189	\$ 37.460	\$ 43.918	\$ 43.154	\$ 39.466	\$ 38.824	\$ 15.157	\$ 22.034	\$ 37.460	\$ 38.824
Short and long-term debt	-	-	-	-	-	-	-	-	2.609	3.079	3.049	3.019	2.989	2.959	2.929	2.899	-	-	3.019	2.899
Shareholders' equity	15.044	14.984	14.713	14.562	15.109	15.595	15.665	20.130	23.773	23.901	33.476	32.933	33.754	34.270	34.042	33.686	14.562	20.130	32.933	33.686

February 7, 2013

**Analyst Certification**

I, **Brent R. Rystrom**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

**Important Disclosures:**

The analyst or a member of his/her household **does not** hold a long or short position, options, warrants, rights or futures of this security in their personal account(s).

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**Strong Buy:** The stock is expected to have total return potential of at least 20%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.

**Buy:** The stock is expected to have total return potential of at least 10%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.

**Hold:** The stock is expected to have total return potential between positive 10% and negative 10%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.

**Sell:** Expect a negative total return of at least 10%. Current positions may be used as a source of funds.

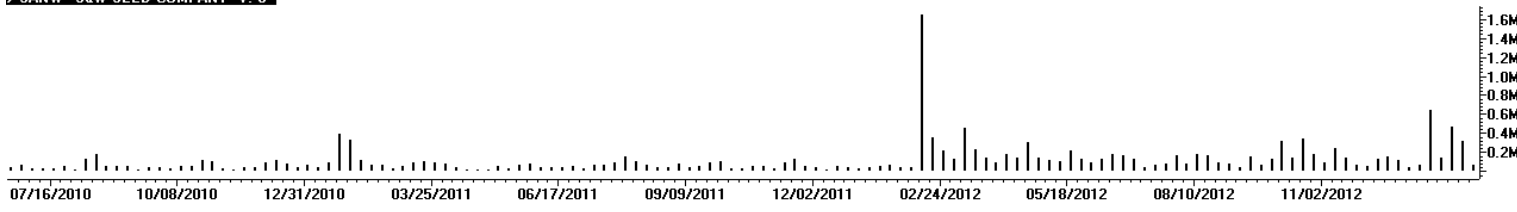
Ratings Distribution for Feltl and Company				
2/7/2013				
Rating			----- Investment Banking -----	
	Number of Stocks	Percent of Total	Number of Stocks	Percent of Rating category
SB/Buy	41	65%	0	0%
Hold	21	33%	0	0%
Sell	1	2%	0	0%
	63	100%	0	0%

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.

Weekly > SANW S&W SEED COMPANY C: 7.98 Chg



> SANW S&W SEED COMPANY V: 0



Date	Nature of Report	Rating	Price Target
02/07/13	Initiation @ \$7.98	BUY	\$8.88

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**Valuation and Price Target Methodology:**

We considered a sum-of-the-parts and price-to-earnings ratio of the net present value of SANW's various operating units in appraising the valuation of S&W Seed Company. Our price target relies significantly on a price-to-earnings ratio that compares SANW to a variety of other industrial and agricultural machinery companies.

February 7, 2013

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**Risks to Achievement of Estimates and Price Target:**

- SANW's operations involve farming alfalfa for seed protection. Weather issues will be of paramount importance in the development of each year's crop and could potentially impact production profoundly, both negatively and positively.
- SANW's business is primarily non-GMO seeds and trait contamination from GMO seeds could significantly hurt SANW's ability to sell its production.
- Availability of production. SANW is dependent on contracted growers and its own ability to lease land to produce seeds. This dependence heightens the importance of SANW building its own portfolio of farmland.
- Historically 90% of SANW's sales have been to one customer. The acquisition of IVS reduced this concentration to 63%. The loss or any impairment of demand from this customer could have a major negative impact on SANW.
- SANW is a small company and is highly dependent on its small but strong management team.

**Other Disclosures:**

The information contained in this report is based on sources considered to be reliable, but not guaranteed, to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of this date, and are subject to change without notice. This report has been prepared solely for informative purposes and is not a solicitation or an offer to buy or sell any security. The securities described may not be qualified for purchase in all jurisdictions. Because of individual requirements, advice regarding securities mentioned in this report should not be construed as suitable for all accounts. This report does not take into account the investment objectives, financial situation and needs of any particular client of Feltl and Company. Some securities mentioned herein relate to small speculative companies that may not be suitable for some accounts. Feltl and Company suggests that prior to acting on any of the recommendations herein, the recipient should consider whether such a recommendation is appropriate given their investment objectives and current financial circumstances. Past performance does not guarantee future results. Additional information is available upon request.

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